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CONSUMER TRENDS AND MARKETS ABROAD
MARCH 1987 VOLUME 6 NUMBER 3

International Demographics

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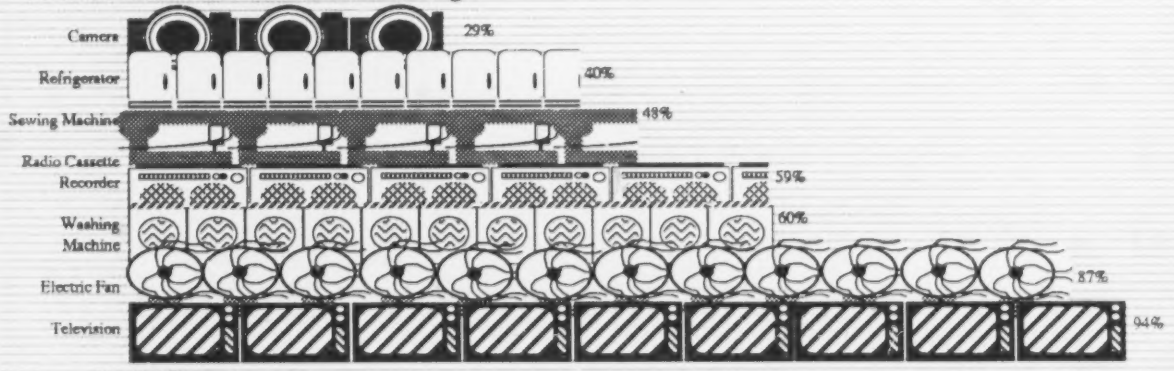

Source: NFO/SRG International, Ltd.

COUNTRY PROFILE

Beijing--ten years after Mao

Ten years after Mao's death, Beijing is a different place. Crowds dressed in the uniform blue clothes of Mao's China now are dotted by many wearing more stylish clothes. Street vendors are commonplace. Billboards extol the virtues of Japanese appliances rather than Communist thought.

Changes like these brought on by Deng Xiaoping's economic reforms are just part of the picture, however. Yes, the average Beijing resident has more money to spend in a considerably freer marketplace, but still not a lot by Western standards. And although China's modernization has meant more for many, the market for imports reflects government economic priorities more than consumer preferences.

So why pay attention now to the lives of Chinese consumers? First, as early as only 10 years ago most Chinese had never even seen a commercial ad from the West. Those who advertise early can count on a loyal following from one of the world's most brand conscious peoples. And since big brand names mean nothing to the previously unexposed Chinese consumer, foreign companies all start off on equal footing. Where else but in China is a Toyota favored over a Rolls Royce?

The long-term investment oriented Japanese have already profited. Clearly the biggest advertisers in China over the longest period, the Japanese sell more consumer products in China than any other country.

Secondly, even though the consumer goods currently in demand are most likely to be supplied by domestic sources, the producer goods from an array of industries needed to support the increased demand are most likely to be imports, according to U.S. Census Bureau China analysts Jeffrey R. Taylor and Karen A. Hardee. Taylor and Hardee point to, for example, the derived need for chemicals, textiles, and machinery as more moneyed Chinese buy more

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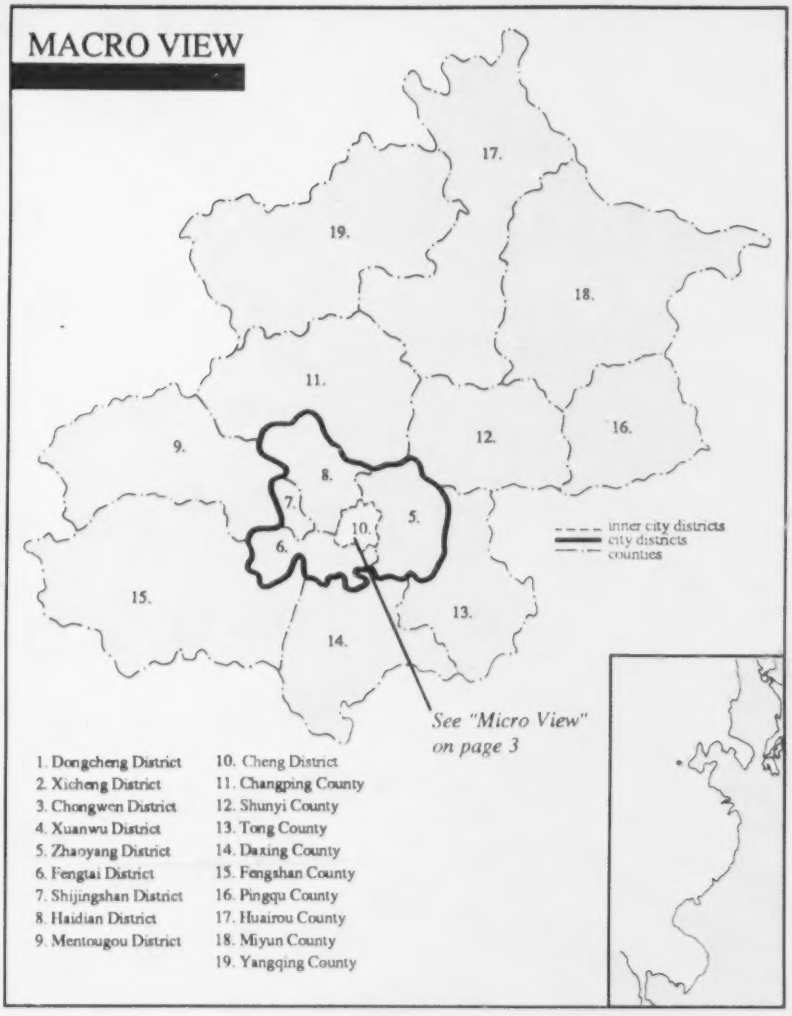
THIS MONTH: B E I J I N G

MACRO VIEW



1. Dongcheng District
2. Xicheng District
3. Chongwen District
4. Xuanwu District
5. Zhaoyang District
6. Fengtai District
7. Shijingshan District
8. Haidian District
9. Mentougou District
10. Cheng District
11. Changping County
12. Shunyi County
13. Tong County
14. Daxing County
15. Fengshan County
16. Pingqu County
17. Huairou County
18. Miyun County
19. Yangqing County

varied and higher grade foods. Tracking consumer demand trends in China can give potential exporters a fairly good idea of the producer goods China will turn to the world market to supply, according to Taylor and Hardee.

Following the demographic trends affecting China's billion-plus society is also important when looking to the the future of consumer goods as China evolves into a major world market. China's current one-child policy, for example, will, if unaltered, change a now young society into a rapidly aging one. Since age and income are the most important demographic characteristics in determining what people will buy, this trend should not be overlooked.

As in most of the developing world, what happens in urban areas heralds the future of its entire populace. Taking a close look at the residents of Beijing--China's capital and the center of its political and cultural life--is a good place to start in pursuit of the Chinese consumer.

THE ANATOMY OF BEIJING

The 1982 Chinese census placed the population of the municipality of Beijing at 9,230,687 people. The Beijing Municipality contains a total of 16,807 square kilometers, of which city districts account for about 87.1 square kilometers; suburban districts, 2,650.7 square kilometers; and counties, 14,070 square kilometers.

The four city districts were by far the most crowded with an average population density of 27,094 people per square kilometer. The four city districts of Dongcheng, Xicheng, Chongwen, and Xuanwu were home to about 2.5 million people in 1982. Xuanwu district had the highest population density at 33,240 people per square kilometer.

Suburban districts and counties were much less crowded, with average population densities of 1,271 people and 263 people per square kilometer, respectively. The suburban districts of Zhaoyang, Fengtai, Shijingshan, Haidian, Mentougou, and Yanshan housed about 3.5 million people, while Beijing Municipality's nine counties housed about 3.7 million people. The suburban district of Mentougou had the lowest population density of only 190 people per square kilometer. All other suburban districts had population densities in the 2,000 people per square kilometer range. Shijingshan District had the highest suburban population density at 2,838 people per square kilometer, followed by Haidian District, 2,575 people per square kilometer; Zhaoyang District, 2,335 people per square kilometer; Fengtai District, 2,014 people per square kilometer; and Yanshan District, 2,042.

EXTENSIVE DEVELOPMENT OF INDUSTRY FUELS POST-LIBERATION POPULATION GROWTH

At liberation, about 2 million people lived in the Beijing Municipality. The city districts housed most of the population, accounting for 1.65

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million residents. By 1958, the population of the city districts had grown to 3.6 million people and the eight provinces of Hebei Province newly incorporated into the Beijing Municipality pushed the total for the Beijing Municipality to about 6.6 million people.

Due mainly to the extensive development of heavy industry in Beijing and the creation of over 1 million jobs in this sector between 1949 and 1979, Beijing's population jumped to 8.7 million by 1979. The population of the Beijing Municipality grew by about 1.6 million people between 1964 and 1982, at the annual average rate of 1.1 percent.

Due to the extensive development of industry in Beijing, Beijing now leads the country in the production of ethylene, plastics, synthetic rubber, electronic computers, and microcomputers. Such important consumer goods as woolen fabrics, knitting wool, pocket-size calculators, household refrigerators, and cars are also produced in Beijing. In 1984, Beijing had 4,291 industrial enterprises employing about 1.7 million people.

ONE CHILD IS THE NORM

Being an only child in Beijing makes you just one of the guys. In 1981, 93 percent of couples with only one child in city districts and 63 percent of couples with only one child in the counties had a one-child certificate. A one-child certificate offers couples who agree not to have a second child monetary bonuses, preferential housing allocation, and preferential treatment in education and job assignment for the child.

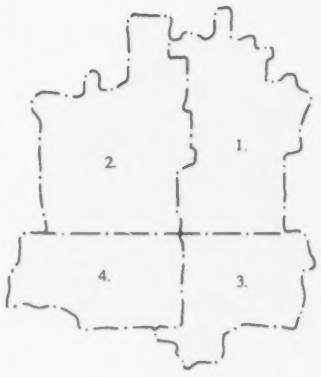
Beijing is typical of the trend in China's urban areas of single-child families. In 1983, an astounding 91 percent of all births in Beijing were first births, up from 85 percent in 1981. Sterilization is also on the rise. With the low fertility rate of 1.6 births per woman in 1981, Beijing has already reached a below-replacement level fertility rate--2.2 births per woman is considered the number of births necessary to just replace a population.

However, Beijing's population will continue to grow despite its one-child policy and drastically reduced fertility rates. Even only having an average of one or two children per couple, Beijing's present substantial number of young couples will produce growth as births outnumber deaths. Only when the disproportionately large numbers of young people born during Beijing's past high-fertility period of the 1950s and 1960s have passed out of their childbearing years will births equal deaths. At that point, the population will stop growing from natural increase and stabilize.

In the 1970s, Beijing's birthrates declined steadily due not only to family planning initiatives but also to the deportation of young adults to the countryside during the Cultural Revolution. The birthrate of 23 per 1,000 in 1965 fell to 18 per 1,000 in 1972, then dropped to a low of 9 per 1,000 in 1976, rising thereafter. By 1975, Beijing's city district had reached the below-replacement level fertility rate of 1.2 births per woman, while suburban districts hovered around 2.2 births per woman.

Even when the large group of youths born during the high-fertility early 1950s reached childbearing age in the late 1970s, birthrates remained depressed due to government-mandated minimum marriage ages of 25 years for women and 28 years for men. With deported youths returning to Beijing in the early 1980s and the number of marriages doubling from 69,000 in 1977 to 130,000 in 1979, the birthrate peaked in 1982 at 15.5 births per 1,000. The total fertility rate in 1982 was 1.4 children per woman.

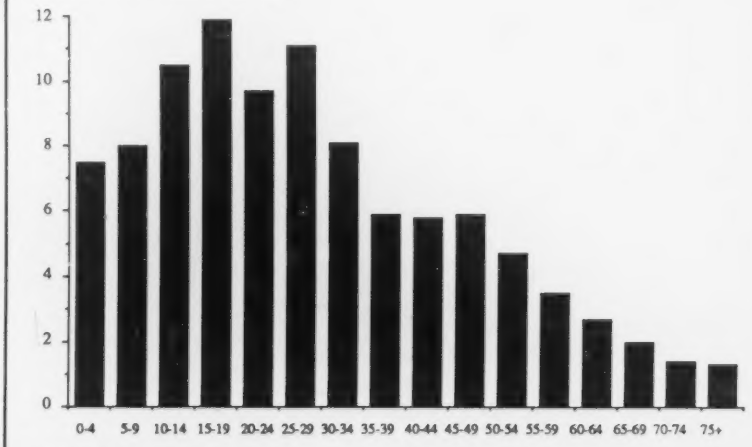
MICRO VIEW



AVERAGE AGE OF FIRST MARRIAGE AND FIRST CHILDBIRTH RISING

A 1981 survey polling 8,000 Beijing women found that the average age of

China's cities--young for now *(in percent)*
Percent distribution by age



Source: State Statistical Bureau (1983b)

first marriage and first childbirth is gradually rising while the interval between marriage and first birth is shortening. Of those surveyed, women who were 67 years of age at the time of the survey were married at the average age of 20 and bore their first child at age 23 while women who were 35 years of age at the time of the survey were married at the average age of 24 and had their first child at age 26.

The average number of children per woman is also falling. Women who were 67 years of age at the time of the survey had an average of 4.5 births in their lifetimes; women who were 35 years of age at the time of the survey had an average of 1.6 births in their lifetimes. Only 4 percent of women aged 35 at the time of the survey had given birth to three or more children, compared to nearly 77 percent of those aged 67 at the time of the survey.

The survey also found that the proportion of couples having only one child was rising. Thirty-eight percent of the women polled who were age 35 at the time of the survey had only one child, as compared with 11 percent of those age 41 at the time of the survey and 8 percent of those age 67 at the time of the survey.

CURRENTLY YOUNG BEIJING TO AGE RAPIDLY

Exact numbers for the proportions of people at various ages in Beijing's population are not yet available. However, age composition figures are available for China's urban areas taken as a whole. A general idea of Beijing's age composition can be gleaned from these national averages for urban areas (see chart on page 3). China's cities are much older than rural areas, with an average median age of 26 for cities and 21.5 for rural areas. China's 1982 census indicates that 26 percent of city dwellers are under age 15, 21.6 percent between the ages of 15 and 24, 47.7 percent are between the ages of 25 and 64, and 4.7 percent 65 or over.

The importance of Beijing's age structure--the proportion of people at various ages in the population--cannot be overestimated. Already, the architects of China's "later, longer, fewer" birth control campaign and its more restrictive one-child policy are concerned over the "gray revolution"--a rapidly aging China with too few young workers to support a huge population of elderly. Many too fear placing China's future in the hands of an all-too-pampered class of only children brought up as the apples of their parents' eyes. Supporting two elderly parents will bring a special burden to these children.

Qin Xu of China's State Advisory Board on Ageing Problems projects that given life expectancy reaching 78 years for men and 80 years for women, and with an average of 1.5 lifetime births per woman, the proportion of those over 65 in China in 2040 will be about 29 percent. China's demographic evolution would then reproduce the Japanese experience only delayed by about 20 years. A more conservative projection by Xu sees life expectancy reaching 71.7 years for men and 74.7 for women with women commonly bearing 2.1 children in their lifetimes. This would result in about 19 percent of China's population in 2040 being over age 65. At liberation, men and women were likely to live to only about 50 years of age. At present, life expectancy in Beijing is 72 years of age (70.6 for men and 73.5 for women), up from 68 years for men and 70.7 years for women in 1975.

In either case, as the burden shifts from supporting the dependent young to supporting the dependent old, China will need to revamp its policies to alleviate the stress placed on Chinese families and to increase financial aid to the elderly.

THE ONE-VERSUS-TWO CHILDREN DEBATE HEATS UP

As fears of a rapidly aging society worry Chinese planners, family

Urban Chinese still outspend peasants but the gap narrows: Comparison of urban and rural per capita expenditure levels and rates of growth, 1978 and 1984

Expenditure category	*Urban per capita expenditure levels (current yuan)*		*Rural per capita expenditure levels (current yuan)*		*Annual averge growth rates, 1979-1984 (percent)*	
	1978	1984	1978	1984	Urban	Rural
Total	311	559	116	274	10.3	15.4
Food	179	324	79	162	10.4	12.8
Clothing	42	87	15	28	12.8	11.5
Fuel	8	9	8	15	1.6	10.5
Housing/rent	7	11	4	32	6.4	43.6
Daily articles and others	49	91	8	30	11.0	25.8
Cultural articles and services	26	37	3	7	6.5	12.9

Note: Data for urban households were aggregated into the rural expenditure categories traditionally used by the State Statistical Bureau in the rural household surveys. Urban survey categories of "rents" and "housing and materials for construction" were combined into the "housing/rent" category shown above. The "housing and rents" portion of this category for 1978 had to be estimated, based on its 1982 share of urban per capita expenditure. Components may not add to totals because of rounding.

Source: Jeffrey R. Taylor and Karen A. Hardee, Consumer Demand in China: A Statistical Factbook, Westview Press, 1986.

planning programs are once again under intense scrutiny. Some analysts feel that the one-child policy will go by the boards as longer spacing between children is seen as an alternative to limiting births to a single child.

Major reservations about the one-child per couple policy were voiced as early as 1979 by noted Chinese demographer Liang Zhontang. The one-child limit, he stated, would leave one young couple 30 years from now supporting four parents and one child. In addition, with rising incomes and the marked Chinese preference for boys, the desire for second children would be very strong among the Chinese people. Allowing two children would help make planned reproduction truly voluntary.

To avoid the too-rapid-aging trap, Liang proposed the Zhou Enlai program of *xi* and *shao*--longer spacing and fewer children. Liang's model calls for each current couple being allowed two children, but with children spaced eight to ten years apart. Beginning in 1990, 30 percent of couples would have only one child, hopefully voluntarily due to the couple's sense of having an already completed family unit and the now more real incentives of preferred placement in education and jobs for only children. Many analysts feel that in light of mounting concerns over the long-term effects of the one-child policy this type of option will be increasingly looked at by China's population planners.

HOUSEHOLD SIZE DECREASES, MORE FAMILY MEMBERS WORK

Household composition trends in Beijing are typical of most urban areas in China. The size of families is declining, with more family members working. These trends, in conjunction with swiftly rising living standards due to the post-1978 economic reforms, have led to more households having more money to spend. Between 1981 and 1984, for example, the percent of staff and worker households having annual per capita incomes above 600 yuan rose from 18 to 49 percent of all staff and worker households. (Urban households are called staff and worker households, as opposed to rural households which are called peasant households.)

A 1982 survey of 1,200 staff and worker households in Beijing found that the average household size in Beijing was 3.9 persons per household, down from 5.2 persons per household in 1965 and 4.1 persons per household in 1981. The average number of jobholders per household was up, from 1.5 persons in 1965 to 2.3 persons in 1982. This lowered the average number of dependents per employed person in Beijing from an average of 3.3 dependents per jobholder in 1965 to 1.6 dependents per jobholder in 1982.

Nationwide, an average of 2.4 members of staff and worker households were employed in 1984, up from an average of 1.6 workers in 1964. This coupled with reduced overall family size has reduced the number of persons supported by each worker from 3.4 persons in 1964 to 1.7 persons in 1984.

In 1982, Beijing households averaged 3.9 persons per household, slightly lower than the 4.1 persons per urban household 1982 national figure. Beijing households averaged 2.4 jobholders per household--just equaling the nationwide average. Dependents per household for Beijing averaged 1.6, just slightly lower than the 1.7 dependents per household

Population of the municipality of Beijing in thousands (1985)

Administrative district	*Total*	*Daytime population*			
		Subtotal	*Non-agricultural population*	*Agricultural population*	*Temporary population*
Municipality	9,666	9,452	5,581	3,871	214
City districts	2,488	2,376	2,375	1	112
Dongcheng	661	634	634	--	27
Xicheng	782	749	749	--	33
Chongwen	450	429	429	--	21
Xuanwu	595	564	563	1	31
Suburban districts	3,473	3,379	2,608	771	94
Zhaoyang	1,116	1,099	833	266	17
Fengtai	627	613	428	185	14
Shijingshan	250	243	218	25	7
Haidian	1,144	1,097	911	186	47
Mentougou	257	252	143	109	5
Yanshan	79	75	75	--	4
Counties	3,705	3,697	598	3,099	8
Changping	389	386	104	282	3
Shunyi	484	484	49	435	--
Tong	551	550	111	439	1
Daxing	433	433	70	363	--
Fengshan	619	618	124	494	1
Pingqu	344	344	29	315	--
Huairou	238	237	30	207	1
Miyun	396	396	48	348	--
Yangqing	251	249	33	216	2

Source: Social and Economic Yearbook of Beijing Municipality, 1985

national average.

In 1984, there were 2.6 million households in Beijing. Average household size was 3.7 persons per household, just under the national average for urban families of slightly more than 4 persons.

RISING INCOMES, CHANGING EXPENDITURE PATTERNS

Post-1978 economic reforms have significantly raised Chinese living standards. Per capita income available for living expenses in urban China almost doubled in just six years--from 316 yuan in 1978 to 608 yuan in 1984. Average per capita monthly income available for living expenses in Beijing staff and worker households increased 1.6 times from 1955 to 1982, from 18 yuan per month in 1955 to 47 yuan per month in 1982, according to the 1982 staff and worker household survey. This compares to the nationwide average of 42 yuan per capita in 1982.

With rising overall income, staff and worker Beijing households tend to up their consumption of raw and prepared foods--pork, beef and lamb; animal and vegetable oils; meat products; poultry; eggs; fresh fish and shrimp; fresh vegetables and fruits; soybean products; sugar; cigarettes; distilled spirits; tea; pastry and candy; milk powder; and canned goods. The consumption of rice, flour, and cereals, however, remains stable.

The purchase of cotton cloth, polyester-cotton cloth, cotton clothing and shoes does not rise with increased income, but the purchase of woolens, silks and satins, and woolen, silk, or satin clothing, knitwear, leather shoes, and blankets, does. Consumption of scented and medicinal soaps, cosmetics, and athletic gear increases with rising income. The purchase of durable consumer goods, including such items as bicycles, watches, electric fans, furniture, and transistor radios, also rises with increased income.

The survey found that in 1982, the 1,200 households surveyed bought 994 pieces of furniture, 220 bicycles, 162 electric fans, 122 transistor radios, 93 clocks, 73 tape players, and 68 washing machines.

More up-to-date consumer data are readily available from such market research firms as NFO/SRG International, Ltd., an American market research firm that has already conducted extensive omnibus surveys in Beijing as well as in other major Chinese cities (see Inside Information on page 7 for further details on this firm).

In 1982, staff and worker households in Beijing spent 57 percent of their income on food, of which just over 2 percent was spent eating out and 8 percent was spent in collective dining halls. About 10 percent of the total expenditure on food was spent on cereals, 31 percent on nonstaples, 6 percent on tobacco, spirits, and tea, and 10 percent on other foods. The next largest expenditure category was clothing. Households spent an average of 15 percent of their income in this category.

Articles of everyday use consumed another 11 percent; cultural and recreational articles, 4 percent; books, magazines, and newspapers, 1 percent; medicines and health-care products, 0.4 percent; housing and construction materials, 0.3 percent; and other commodities, 0.6 percent. Expenditures on fuel only amounted to 1.6 percent of total consumption. Expenditures on noncommodities totaled 8 percent, of which rent accounted for only 1.7 percent of total consumption; water, 0.4 percent; electricity, 0.6 percent; educational costs, 0.2 percent; childcare, 0.3 percent; transport, 2.5 percent; posts and telecommunications, 0.2 percent; cultural and recreational costs, 0.5 percent; repair services, 1.1 percent; medical and health care, 0.6 percent; taxes and insurance, 0.03 percent; and other noncommodity expenditures, 0.6 percent. (Totals may not add up due to rounding.)

A recent study on trends in household consumption conducted by the Chinese Academy of Social Sciences in Beijing and the Development Research Department of The World Bank predicts that by 1990 per capita monthly income available for living expenses per household will rise to 68 yuan in urban areas. By the year 2000, this figure should rise to 118 yuan. By the year 2000, they predict that the purchase of commodities in staff and worker households will account for 88 percent of total expenditures, with noncommodity expenditures accounting for the other 12 percent. Food will account for 50 percent of total expenditures, as compared with 57 percent in 1982; clothing, 16 percent, as compared with 15 percent in 1982; articles of daily use, 20 percent, as compared with 11 percent in 1982; and fuel, 2 percent, as compared with 1.6 percent in 1982. To obtain a copy of this report, see the sources section.

SOURCES

By far the best source for demographic information on specific cities, provinces, and areas in China is the U.S. Census Bureau's Center for International Research, Scuderi Building, Bureau of the Census, Washington, D.C. 20233; telephone (301) 763-4012. Another good source of demographic information on China is the East-West Center's Population Institute, 1777 East-West Road, Honolulu, Hawaii 96848; telex, 989171; cable, EASWESCEN; telephone (808) 944-7200.

Two recent books on consumer trends in China (published in English) are indispensable for any exporter looking at Chinese markets. *Consumer Demand in China: A Statistical Factbook* by Jeffrey R. Taylor and Karen A. Hardee provides a detailed overview of recent consumer trends in China. Using more than one hundred tables and graphs, the authors show differences between urban and rural income levels and changes in income distribution, spending patterns, commodity consumption, durable goods ownership, and housing. All data are drawn exclusively from official Chinese sources, and many of the indicators have never appeared in English before. Order *Consumer Demand in China* for $35 from Westview Press, 5500 Central Avenue, Boulder, Colorado 80301.

Another excellent source of information on household expenditure patterns in urban areas and especially in Beijing is *The Structure of China's Domestic Consumption:*

Analyses and Preliminary Forecasts by Li Xuezeng, Yang Shengming, and Juhuang. Mainly based on previously unpublished data, household consumption patterns in China are analyzed, emphasizing changes over time and differences between urban and rural areas and among households at different points of the welfare distribution. The analytical focus is on household consumption and its likely development up to the year 2000. Much of the research for this study was conducted in Beijing. This book is the final product of a cooperative research project conducted by the Chinese Academy of Social Sciences in Beijing and the Development Research Department of The World Bank. Order from The World Bank, 1818 H Street, N.W., Washington, D.C. 20433. Cost: $8.

Another publication from The World Bank, *China: Socialist Economic Development, Volume III The Social Sectors: Population, Health, Nutrition, and Education*, is an excellent source of demographic information on China's urban and rural areas.

Detailed urban statistics including city profiles are found in *China Urban Statistics 1985* compiled by the State Statistical Bureau of the People's Republic of China and jointly published by Longman Group Ltd., London and China Statistical Information and Consultancy Service Center. Order from Gale Research Company, Book Tower, Detroit, Michigan 48226. Another publication distributed by Gale Research is the *Statistical Yearbook of China*, which has extensive tables of statistics for the municipality of Beijing. The *Statistical Yearbook* is a publication of the State Statistical Bureau of the PRC.

A book to look for in 1987 is the forthcoming *China's Changing Population*, by Judith Banister, to be published by Stanford University Press. *International Demographics* will keep you posted. ■

--Denise Rusoff

Special thanks to Judith Banister, Chief of the Center for International Research's China Branch, U.S. Bureau of the Census, and Fred Arnold of the East-West Center's Population Institute for supplying most of the demographic data used in this profile.

INSIDE **INFORMATION**

Refrigerators top "most wanted" list in Beijing

China. The thought of the pent-up demand of a billion consumers gives shivers of excitement to marketers all over the world.

Statistical studies of China abound. The 1982 census produced a host of articles in English explaining population trends in China.

What is harder to come by, of course, is consumer data. But Survey Research Hongkong (SRH), part of an umbrella of research companies called Survey Research Group that is highly regarded for its work in many Asian countries, is filling some of the gap.

NFO/SRG International Ltd. in the U.S. now has the results of an omnibus survey carried out in January, 1986 by Survey Research Hongkong among consumers in Guangzhou and Beijing. About 1000 consumers were surveyed in each city with the sample weighted to represent the demographic composition of the city. The sample represents 1.6 million people aged 15 and over in the city of Beijing. Demographic, media, and product ownership and intent-to-purchase data are available on a syndicated basis. Other special tabulations are customized according to client need.

Beijing, the capital, has a population of about 9.5 million, with about 1.7 million people employed in more than 4,000 industrial enterprises. It leads China in the production of microcomputers, but also produces a range of other goods from plastics to fabrics, from automobiles to refrigerators.

Guangzhou, the city of flowers, is the largest city in southern China. It has about 7 million people. Guangzhou is a port city and an important distribution center. Its principal industrial products include such consumer goods as bicycles, watches, flashlights, sewing machines, and electrical appliances.

In one part of the omnibus survey, SRH asked about appliance ownership. In both cities television sets were the electrical appliance most often owned in a household. In Guangzhou, 92 percent of respondents said they own a television set, 42 percent of them a color set. In Beijing, 94 percent of respondents own a set, 41 percent color (see chart on cover).

Asked whether there was a likelihood of buying a set in the next 12 months, 3 percent of respondents in Guangzhou said they were "very likely" to buy a set and 8 percent said "quite likely." Seventy-nine percent said they were "very unlikely" to buy a television set, probably because such a large percentage already had a set. In Beijing, 4 percent said they were very likely to buy one, 12 percent quite likely, and 74 percent very unlikely.

While a television was the most popular appliance, two appliances on the "most wanted" list were refrigerators and washing machines. In Guangzhou, 41 percent of respondents owned a refrigerator, and 11 percent said they were likely to buy one in the next 12 months. In Beijing, where 40 percent owned a refrigerator, fully 28 percent said it was very or quite likely that they would buy one within 12 months.

Residents of Beijing were also more likely to anticipate buying a washing machine by the end of 1986. While 60 percent own one, another 19 percent said they were very or quite likely to buy one. In Guangzhou, 59 percent of households have a machine and 13 percent say one is likely in the offing by the end of the year.

New consumer data will be available this summer from SRG. SRG will carry out its fourth China Omnibus in March, 1987. A representative sample of 1000 respondents in each of the Shenyang and Shanghai areas will be interviewed. Guangzhou will be covered in June, along with Chengdu.

Reports and special cross-tabulations from the SRH omnibus surveys of 1985 and 1986 are now available in the United States from NFO/SRG International, Ltd., 50 Lafayette Avenue, N. White Plains, NY 10603: telephone (914) 948-5100. Contact: Jerry Stafford, Managing Director. ■

--Doris Walsh

FEATURE

Dos and don'ts of advertising in China

Anyone returning to China after a few years' absence can see the difference. Billboards now advertise televisions and washing machines instead of Mao's thoughts. Most people own a TV and, as in the West, TV means commercials.

No doubt about it, advertising is taking hold in a country where the majority of people had never seen a commercial ad until Deng Xiaoping opened China's doors in December 1978. Since then, dramatic changes have taken place in China's infant advertising industry. To celebrate its latest developments, the Chinese advertising industry will hold its first major advertising congress in the Great Hall of the People in June 1987.

The Third World Advertising Congress, sponsored by the China National Advertising Association for Foreign Economic Relations and Trade (CNAAFERT) and South magazine, aims to show foreign exporters how the Chinese advertising industry can help in the marketing and promotion of their products in China as well as outlining the type of assistance Chinese exporters are looking for in marketing and promoting their products. (For more information on this congress contact Jack Fogarty, South Publications Ltd, Suite 319, The Helmsley Building, 230 Park Avenue, New York, NY, 10169; telephone (212) 682-8714.) The congress will also provide a wealth of information on China's idiosyncratic and still strictly regulated advertising world.

Here's some tips for advertising in China passed along to us by congress co-sponsor *South* magazine.

- *Do remember* that when advertising in different regions and cities it is best to use local advertising corporations in each major center, as the media scene and consumer buying habits, as well as regional buying habits and lifestyles, can vary from one region to another.

- *Do give* the media sufficient time to meet your requirements.

- *Do allow* for the necessary time to have your advertisement amended in order for it to comply with the various advertising regulations.

- *Don't provide* any giveaways without consulting customs.

- *Do make* use of all promotional facilities such as direct mail, trade shows, print, and TV.

- *When creating* your advertisement, emphasize the performance of the product with, if applicable, full statistics; highlight durability rather than innovation; clearly demonstrate the efficiency of the product or technology; clearly stress the different applications of the product; use straightforward product illustrations--cut-away views in color are preferred; and stress value for money in relation to performance. Avoid word plays.

- *Do make* certain that when your company's name is translated into Chinese it has a positive or lucky meaning.

- *Do remember* that comparative advertising or claims of latest or newest on the market, or the world's number one brand, have little meaning or effect in China. Even companies like IBM have had to start advertising in China by explaining who they are, so do not expect the local people to know about your product, however world famous it might be.

- *Advertising* on Chinese television is not only suitable for the promotion of consumer goods but also for industrial products and corporate advertisers, as shown by the success of Kodak and Boeing in China. When the national airline of China split into five regional carriers, Boeing, which had regularly advertised on television, discovered overnight that it would have to deal with hundreds of extra people throughout China, all of whom knew the name of Boeing thanks to its advertising on Chinese television.

- *Do remember* that the radio is also effective and the press or print media are also far more influential than in most other countries.

- *Direct mail* enjoys a strong novelty value.

- *Do remember* that survey data are usually reliable since Chinese custom dictates that it would be extremely rude to turn someone away at your door and so far the novelty of being asked about consumer behavior has not worn off. ■

A European version of globalism: Three trans-European marketing trends converge

Despite the fact that a continuing brouhaha seems to surround Theodore Levitt's call for "globalization," there is rather significant evidence that his plea will be answered shortly--at least in Europe. What we see happening is that three European marketing trends--which were never mutually exclusive--now seem to be coming directly together. And, voila, a European version of "globalism" is the result.

What are these three marketing trends? First there is a growing body of corporate and academic research that focuses on the European consumer, rather than on the country-specific consumer. This type of research requires that the same basic questions (instruments) be employed in each national market and that the results are analyzed and compared across the various country-markets. To be most effective, in fact, this research necessitates the use of a single marketing research organization (or network) with the capability to conduct true cross-European research; e.g., can employ the same methodology/tools, select the same sort of sample, etc. Such firms are now available and are being employed by firms seeking to conduct their product or corporate development efforts on a pan-European basis. For example, 3M has used an independent research firm to conduct a 14-country telephone survey to track the awareness of its Post-It pads for the past four years.

Which brings us to trend number two: the increased efforts by companies to develop pan-European products and/or to establish a single European-wide corporate image. Philips has recently joined such companies as Henkel, Pepsico, Digital Equipment, Xerox, and Guinness in seeking to achieve the latter. The real test for pan-European marketing, however, will come with the development of a product (or product line) that resulted from cross-border marketing research. To illustrate, Ford may have approached such European-wide, product-related marketing research efforts in the consumer studies conducted for its so-called "world car" (Escort in the United States) that was developed in Germany. To date, however, pan-European marketing in practice refers to pan-European promotional efforts and possibly a unified, multi-country distribution system, rather than the four Ps. (Product, Positioning, Price, and Promotion). While the building blocks needed for such product planning/design research are now in place, it appears that the potential for such efforts is only beginning to be exploited.

The third European marketing trend is the rapid increase in the use of satellite television for commercial purposes. When coupled with the wide diffusion of cable television, satellite channels have become a major pan-European promotional tool. The list of U. S. companies currently advertising on The Sky Channel or the Music Box Channel, for example, reads like a who's who of consumer goods producers. As the saturation of cable continues, it appears that satellite television will more than rival print as the pan-European medium. The arrival of this new vehicle as a significant force coincides dramatically with the developments surrounding the other two trends.

How valid do these trends appear to be? During the fall we conducted an extensive survey of European advertising executives. The sample included advertising agency, media, consumer and industrial manufacturing representatives. All were European members of the International Advertising Association. Roughly 16 percent of the 850 sample or more than 130 people participated in the study. Interestingly, a majority of these key executives felt that satellite television would lead to the use of single, European-wide campaigns, but slightly less than half saw this making television the leading European medium. Similarly, support was evident for the need to do "global planning" earlier in the developmental stages of products, but only about one-fifth of the responding executives considered the true "Eurobrand" to be on the horizon. However, 45 percent did feel that there was a strong trend toward some form of globalization.

So what do we conclude from these rather mixed European views regarding the trends? If we keep in mind that much of the current swing toward satellite television, Eurobrands, and trans-border marketing research has come from the United States, these opinions may not be surprising. In fact, due to their ingrained attitudes toward the sovereignty of national markets, it may well be that the Europeans will be the last to follow these trends. As two European-based McKinsey & Co. officials recently concluded, the tendency for European product developers to tailor along national lines may prove to be "... a handicap in global competition...": e.g., effectively competing with United States and Japanese companies on a regional or worldwide level. To sum up, we believe the trends appear to be well under way, but that only a fraction of European executives have accepted them to date. ■

--John K. Ryans Jr.
--Donald Howard

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SPECIAL REPORT

Tokyo's Labor Force

Part 2: Worker-household income and spending patterns

The second part of our three-part series on Tokyo's labor force looks at household income and expenditure patterns.

Households in Japan are feeling the ripple effects of the strong yen. With the hard-hit export-oriented companies cutting back on overtime, holding down bonuses, and laying off part-time workers, the incomes of salaried workers in Japan showed little improvement in the first half of 1986. The household income of the average salaried worker in Japan during the first half of 1986 rose only 2 to 3 percent after adjusting for inflation, according to a survey by the government's Management and Coordination Agency.

Although many of Japan's exporters are expected to grant smaller wage rises, things should start to look up a bit for Japan's average consumer due to a further decline in the already low inflation rate, an expected steep drop in consumer prices mirroring the one already noted in wholesale prices, and the benefits of planned tax reform. Businessmen also look to the benefits of cheaper oil coming to the fore in 1987.

THE BONUS SYSTEM AND OVERTIME WAGES

Japanese wages tend to be more sensitive to overall economic conditions than those of other countries, in part due to its unique bonus system and the prevalence of paid overtime work. You can tell a lot about the fortunes of a company by looking at how many quick-dinner soup bowls are piled up outside office doors waiting for local soup-shop pick up at 7 p.m.

Bonuses generally account for about one-fourth of a worker's salary, and are closely tied to the fortunes of an employee's company. They are given twice a year--once in the summer and once in the winter--and average about two months pay apiece. The winter bonus tends to be somewhat larger than the summer bonus. The average summer bonus per worker in Tokyo rose from 406,880 yen in 1979 to 519,476 yen in 1983, while the average winter bonus went from 490,141 to 608,095 over the same period.

Overtime pay also varies with economic ups and downs. Cutting overtime is one way Japanese companies economize on labor costs. Business recoveries usually mean increased overtime wages for salaried workers. Overtime wages in recent years in Tokyo have averaged about

How Tokyo-worker households spend their yen (monthly average)

		Gross expenditure	*Net expenditure*	*Household expenditure*	*Consumption expenditure*	*Food*	*Housing*	*Light, heat and water*	*Furniture and household utensils*	*Clothing*
	Average in									
Actuals (in ¥)	1977	515,400	277,396	239,968	225,720	64,632	14,630	9,131	9,613	18,808
	1978	554,415	299,762	258,554	239,874	66,418	14,646	10,025	9,505	19,531
	1979	571,257	306,257	262,125	248,505	68,546	15,654	10,208	10,158	19,528
	1980	637,052	345,861	296,485	269,866	73,303	17,637	13,186	9,920	20,137
	1981	665,610	351,403	295,472	279,109	74,114	19,529	15,510	11,100	20,334
	1982	708,892	371,110	301,605	291,275	77,146	20,874	16,438	11,295	20,065
	1983	730,376	376,733	304,609	293,661	77,019	20,054	16,933	11,719	20,975
	Average in									
Nominal	1978	--	8.1	7.7	6.3	2.8	0.1	9.8	-1.1	3.8
	1979	--	2.2	1.4	3.6	3.2	6.9	1.8	6.9	-0.0
	1980	--	12.9	13.1	8.6	6.9	12.7	29.2	-2.3	3.1
	1981	--	1.6	-0.3	3.4	1.1	10.7	17.6	11.9	1.0
	1982	--	5.6	2.1	4.4	4.1	6.9	6.0	1.8	-1.3
Percent change over year	1983	--	1.5	1.0	0.8	-0.2	-3.9	3.0	3.8	4.5
	Average in									
before	1978	--	--	--	1.9	-1.0	-6.4	11.5	-2.4	-0.6
	1979	--	--	--	0.1	1.7	0.9	-3.8	5.5	-3.8
	1981	--	--	--	-1.4	-3.7	6.0	8.6	8.1	-2.6
	1982	--	--	--	1.3	1.9	4.3	-0.8	1.0	-4.7
	1983	--	--	--	-1.2	-2.2	-7.1	3.3	4.1	2.2

Note: When converting to $US, note that using the 1983 exchange rate of .42 cents per yen does not take into account the 40 percent rise in the yen against the dollar since that time (about .64 cents per yen in February, 1987).

Source: "Living Standards of People in Tokyo," Bureau of General Affairs, Tokyo Municipal Government

10 percent of a worker's regular, fixed salary, not including bonuses.

Tokyo workers averaged 364,631 yen per month in 1983, of which 264,436 yen was regular salary and 100,196 yen was either bonus payments or retroactive salary increases. About 20,000 yen of a worker's regular salary was overtime pay.

GROWTH IN REAL DISPOSABLE INCOME FLAT SINCE 1973

Before the 1973 oil crisis the real disposable income of a salaried worker's household in Tokyo increased as much as 7 to 8 percent a year. Since 1973, real disposable income has grown only 1.7 percent, to 368,219 yen a month per worker household.

This trend has led to sluggish consumer spending. In 1983, Tokyo worker-households used an average of 293,661 yen per household a month for living expenses--a 1.2 percent decline in real terms over the previous year.

CHANGING SPENDING PATTERNS

Although Tokyo worker households continue to spend the greatest part of their consumption expenditure on food, the proportion spent on food has continually declined since 1973. In 1983, the monthly average expenditure on food was 77,019 yen per household, accounting for 26.2 percent of total household expenditures, down from just over 30 percent in 1973. Expenditures on meat, prepared foods, and eating out were the only categories showing rising expenditure. Consumption on food accounted for 29 percent of total expenditures for those aged 40 to 44, then steadily declined to 23 percent for those aged 55 to 59, rising again to 26 percent for those aged 60 and over.

The proportion of total household expenditures on housing has changed little since1973. Average monthly expenditures for housing showed a slight rise between 1973 and 1983. In 1983, the average monthly housing expenditure was 20,054 yen per household, accounting for 6.8 percent of total consumption. This compares to a 6 percent level in 1973.

The younger the household, the greater the proportion spent on housing. Expenditure on housing accounted for more than 12 percent of total consumption for the under-30 group, thereafter decreasing rapidly with age and bottoming out with those aged 50 to 54 at 5 percent of total expenditures. With homeowners aging and homes needing more repairs, expenditures again climbed for those aged 55 and older.

Car buying, especially by young men, pushed transportation and communication expenses from about 5 percent of total household expenditures in 1973 to 8.6 percent of total household expenditures in 1983. The average monthly transportation and communication expenditure was 25,277 yen per household in 1983. Expenditure on transportation and communication was the heftiest for those under 30, accounting for 11 percent of their total consumption. After bottoming out for those aged 40 to 44, the proportion of total household expenditure on transporta-

(continued)

(continued)

		Medical care	*Transportation and communication*	*Education*	*Culture and entertainment*	*Other consumption expenditure*	*Purchase of land or house*	*Other net expenditure*	*Non-real expenditure*	*Carried forward to next month*
	Average in									
	1977	6,072	15,494	9,487	19,027	58,826	14,248	37,428	153,005	84,999
	1978	6,607	16,577	10,622	20,591	65,352	18,680	41,208	165,200	89,453
	1979	6,296	17,551	11,810	22,183	66,571	13,620	44,132	171,415	93,585
Actuals	1980	7,023	19,923	12,998	23,926	71,813	26,619	49,376	196,762	94,429
(in ¥)	1981	6,655	24,035	13,281	24,520	70,031	16,363	55,931	220,375	93,833
	1982	6,996	23,801	14,658	26,118	73,883	10,330	69,505	239,322	98,460
	1983	7,438	25,277	14,897	27,909	71,442	10,948	72,124	257,233	96,411
	Average in									
	1979	-4.7	5.9	11.2	7.7	1.9	-27.1	7.1	3.8	--
Nominal	1980	11.5	13.5	10.1	7.9	7.9	95.4	11.9	14.8	--
	1981	-5.2	20.6	2.2	2.5	-2.5	-38.5	13.3	12.0	--
	1982	5.1	-1.0	10.4	6.5	5.5	-36.9	24.3	8.6	--
Percent change over year	1983	6.3	6.2	1.6	6.9	-3.3	6.0	3.8	7.5	--
	Average in									
before	1978	-1.6	4.4	-0.7	3.8	--	--	--	--	--
	1979	-8.4	0.1	1.4	4.5	--	--	--	--	--
Real	1980	9.6	8.3	0.6	0.5	--	--	--	--	--
	1981	-7.6	16.1	-5.1	-2.2	--	--	--	--	--
	1982	2.8	-6.3	3.9	4.4	--	--	--	--	--
	1983	4.8	6.9	-3.3	3.8	--	--	--	--	--

Source: "Living Standards of People in Tokyo," Bureau of General Affairs, Tokyo Municipal Government

tion and communication again rose. For those aged 30 to 39, automotive expenses alone accounted for nearly 5 percent of consumption.

Education too is taking more and more of the household budget, rising from an average of 3.3 percent of total household expenditure in 1973 to 5.1 percent in 1983. In 1983, the average Tokyo worker household spent 14,894 per month on education. The average monthly education expenditure of the 45 to 49 age group topped all other age groups at 38,902 yen per household, accounting for as much as 11.6 percent of total consumption due to the expense of sending children to college. The average expenditure for 1981 to 1983 was 9.7 percent of total consumption each year.

Other consumption expenditures accounted for 24.3 percent of total consumption in 1983. ■

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Regular subscribers are always invited to call International Demographics with questions about demographic data. In many cases, we have data on our shelves that we have been unable to print because of a lack of space. We are always willing to try to help you find what you need. Our offices are open from 9 a.m. to 5 p.m. Eastern time. Call Denise Rusoff or Doris Walsh at (607) 273-6343. ■

OF INTEREST

Hold this date: June 4th

Foreign consumer data and the use of foreign demographics to make marketing decisions abroad will be the focus of an afternoon session on June 4 at the 7th Annual Demographic Outlook Conference, sponsored by the American Demographics Institute on June 4 and 5 at the New York Hilton.

Featured speaker will be Barbara Torrey, chief of the Center for International Research at the U. S. Census Bureau, and an economist formerly with the Office of Management and Budget. Ms. Torrey will talk about consumer expenditure surveys that are now available from many foreign nations, and Census Bureau plans to analyze the data and make them available. A user from a consumer goods company will discuss how his company uses demographic data to make decisions about market entry overseas.

People interested only in the international aspects of demographic data can register for just the June 4 session which will be held from noon until 4:30 p.m. Participants are also invited to attend a vendors' exhibit and wine and cheese reception from 4:30 to 6:30 p.m. Those who register for the full two-day program can choose the international session as one of their concurrent sessions.

More information will be sent to all International Demographics subscribers. ■

COMING UP

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